The Strange Non-Death of Employer and Business Associations: An Analysis of their Representativeness and Activities in Western European Countries

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Abstract

Against the background that corporatism is on the decline in recent decades, one could expect that the representativeness of employer and business associations is also declining. In this article it is argued and shown that, contrary to this expectation, this decline is not observable for employers and business associations. So the question arises as to whether employer and business associations are simply relics of a different era with no longer any purpose. Using a cross-national approach it is shown that by adapting their organizational structure as well as their activities to the changing needs of business, employers and business organizations are as 'strong' and active nowadays as ever.

Keywords

employer associations, collective bargaining, industrial relations, interest groups, corporatism

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Introduction

Employer and business associations (EBAs) are special interest organisations and represent the product and labour market interests of business vis-á-vis the state and trade unions. While the representation of product market interests refers to the interests of business as customers and suppliers of goods and services in the production process and chain, the representation of labour market interests refers to the interests of business as employers. Interest associations which concentrate exclusively on product market interests of business are often defined as "pure" business or trade associations while associations focusing exclusively on labour market interests are usually defined as employers' associations (e.g., Traxler, 2000). In this paper we concentrate on the labour market side which manifests itself via the engagement of associations in collective bargaining as well as in various forms of concertations and consultations on labour market issues with state authorities. Nowadays, in Western Europe, almost no pure employers' associations exist any longer so we augment our analysis to mixed organisations which subsume the product and labour market interests of business, i.e. to EBAs.

Representative and encompassing EBAs are often an integral part of socioeconomic policymaking in many Western European countries and their activities often affect many policy areas in an economy. Many EBAs in Western Europe are also "historically" evolved interest groups (e.g., Crouch, 1993). In fact many EBAs have a long history and their emergence dates back to the rise of corporatism, collective bargaining and, in particular, to the increasing strength of trade unions, i.e. their roots lie in the 19th century.

The vast majority of research on EBAs formation and representativeness stems from the seminal work of Olson (1965, 1982) and is based on the reasoning that narrowly tailored interest organizations are more effective than encompassing organizations which aim to represent the interests of a large cross-section of constituents. In industrial relations research, EBAs received significantly less attention than trade unions even though their "relevance" for the economy and society, for collective bargaining and other forms of collective interest representation is relatively similar. This is different in other academic disciplines which are also interested in business interest groups and the actions and organizational characteristics are well analysed. But the difference is that the latter stream of research concentrates more on business interest groups, such as, in particular, lobbying organizations and their activities vis-à-vis state authorities on law and policy making as well as vis-à-vis other business organizations. The activities of these analysed organizations focused on the

representation of the interests of their constituents' on the *product market,* for example on influencing industrial and trade policies vis-à-vis various state authorities (e.g., Bernhagen, 2013; Grote et al., 2008; Ronit and Schneider, 2000). The bottom line is that both in industrial relations research and in other disciplines less attention has been given in research to EBAs as regards their *labour market* scope. This is surprising since these EBAs are encompassing organisations which represent both labour and product market interests of their constituencies appear to challenge Olson's (1965) reasoning.

EBAs exist in all Western European countries and in particular peak EBAs, are usually highly *encompassing interest groups* who represent the interests of business, i.e. of companies in different sectors and industries as well as from different regions in a country, on the *product and labour market*. Despite their high degree of encompassment, they are usually highly representative and well organized for the domain in which they operate. This is reflected by their membership share, which on average across countries is high and very stable over time (e.g., Brandl and Lehr, 2015; European Commission, 2015). This high degree of representativeness is puzzling, as EBAs are burdened with the problem of collective action. Through their participation in collective bargaining as well as their aims to influence state authorities' policy making, EBAs provide collective goods. Hence, EBAs are faced with the same problem of collective action as many other interest organizations (Traxler, 1999). The representativeness of EBAs is even more puzzling as changes in the socioeconomic

context over recent decades have challenged the role of EBAs, especially those that represent the labour market interests of their members. In particular, the decline of trade unionism (e.g., Molina and Rhodes, 2002) implies that there are less incentives for companies to join EBAs as there is decreasing need to counteract strong and serious trade union action. Moreover, whilst it is argued that the legitimacy of EBAs is heavily based on their function in collective bargaining (Traxler, 2004), increasingly open markets significantly reduced the benefits of *nationally-confined* collective bargaining for companies (Molina and Rhodes, 2002). The bottom line is that not only is the high representativeness of EBAs puzzling but also its overall stability over time.

In this paper we leave aside questions of how "influential" EBAs are as well as the effects of EBAs activities on the efficacy of economies and societies and instead concentrate in detail on the question of what makes EBAs highly representative, and why they have varied (or not) in Western European countries over time. More specifically, we analyse in detail the determinants of representativeness of the largest peak in Western European countries. In the following, we derive specific hypotheses which we test on the basis of unique and recent time series data which covers data for the following countries (and EBAs in brackets) over a period between 1973 and 2012: Austria (Austrian Federal Economic Chamber), Belgium (Federation of Enterprises in Belgium), Denmark (The Confederation of Danish Employers), Finland (Confederation of Finnish Industries), France (Movement of the Enterprises of France; since 1998 and

before National Council of the French Employers), Germany (Confederation of German Employers' Associations), Ireland (The Irish Business and Employers Confederation; between 1986 and 1993 Federated Union of Employers), Italy (Confindustria), Netherlands (Confederation of Netherlands Industry and Employers; Confederation of Netherlands Employers between 1986 and 1994), Norway (Confederation of Norwegian Enterprise; Norwegian Employers' Confederation until 1990), Spain (Spanish Confederation of Employers' Organizations), Switzerland (Swiss Employer Association), and the United Kingdom (Confederation of British Industry).

In order to do so, we first elaborate the role of EBAs as providers of collective goods and the importance of their representativeness. In the following section we then present the hypotheses about the determinants of representativeness. We then outline the details of our research design, methods and data, and discuss the hypotheses tests. In the final section we conclude with a discussion of the implications of our findings for the future development of EBAs.

Employer and business associations: a relic of a different era?

EBAs are special interest organizations and represent and promote the interests of business, visa-à-vis two main actors: trade unions and state authorities. The main arena for the representation of interests vis-à-vis trade unions is in collective (wage)

bargaining whilst the arena for interaction with state authorities are institutionalized, i.e. regular, as well as ad hoc negotiations and consultations. The interactions with the state can be either tripartite, i.e. jointly with trade unions, or bipartite, i.e. without trade unions. Beside formal interactions with state authorities, EBAs are also traditionally involved in various forms of lobbying activities as are many other business interest groups. However, the forms of interaction differ significantly not only across countries, as well as over time, but also differ from country to country in the impact of the interactions on the promotion of interests (e.g., European Commission, 2015; Huemer et al., 1999).

Many of today's EBAs were founded as counter-organizations to trade unions with the main aim of counterbalancing the relative strength between "capital" and "labour" (Crouch, 1993). In the historical sequence of the formation of EBAs in Western Europe it can be clearly seen that EBAs were formed after trade unions. Thus employers reacted to trade union formation and activities by embarking on collective action only after unions had increased their strength and power (Traxler, 2000).

In the course of time EBAs became part of the wider socioeconomic system of collective interest representation and even of public policy making (e.g., Crouch, 1993; Traxler, 1993). However, the form and intensity with which EBAs engaged in collective interest representation and public policy differed substantially across different countries. While in some countries their engagement in collective bargaining plays a relatively

unimportant role because few employees are covered by collective agreements (e.g., in Ireland and the UK), in other countries (e.g., in Belgium and Finland) almost all employees are affected. Thus the involvement of EBAs in collective bargaining has a widely varying effect but is a fundamental element of the countries' income and wage policy (European Commission, 2015). As regards their interaction with state authorities there are also differences across countries. While in some countries EBAs are "only" consulted by state authorities on some policy matters on an infrequent and ad hoc basis (e.g., Italy and Portugal), in other countries EBAs are involved in the planning, implementation, and monitoring of many social and economic policies (e.g., Austria and the Netherlands). Even though it was sometimes argued that along with the "decline" of corporatism (e.g., Molina and Rhodes, 2002) the scope and intensity of EBA involvement weakened slightly over time there is evidence that since the advent of the economic crisis in Europe the involvement of EBAs in the public policy making agenda increased significantly again. This, however, includes both bi- and tripartite policy making (e.g., Doerflinger and Pulignano, 2015; Marginson and Galetto, 2016). The bottom line is that, in different countries, different institutional structures and institutions of business and employer interest representations emerged which differ significantly in their degree of "influence".

The organizational capability of EBAs

EBAs are a prime example of interest groups, and much academic attention has been directed towards understanding variations in the influence of interest groups (e.g., Doner and Schneider, 2000) as well as the macroeconomic consequences of this influence (e.g., Olson, 1982). The majority of these studies conclude that growing "influence" or "strength" of interest groups hinders economic performance, although the results depend very much on the choice of macroeconomic performance indicator, as well as on the definition of interest groups. However, a fundamental forgoing question still lacking adequate answers is how interest organizations, i.e. EBAs, achieve and maintain in the first place the organizational capability needed to realize influence.

Since their early existence, EBAs are predominantly voluntary organizations whose legitimacy and organizational survival is tied to the willingness of members to join and support them (logic of membership). In the following, we will define the ability of organizations to organize their domain-specific segment of the labour market as their representativeness. Representativeness is crucial for the ability of any EBA to represent the interests of their members effectively, i.e. in order to influence other actors in the environment, in particular other parts of the business community, organized labour and the state (logic of influence). Although high representativeness is perhaps not a sufficient condition for EBA influence (Behrens and Helfen, 2009: 9), it is likely a necessary condition for them to be able to effectively represent their members on the

labour market and influence public policy (e.g., Coleman and Grant, 1988; Swank and Martin 2001). In any case, a low degree of representativeness would challenge the ability of EBAs to participate in public policy-making as the incentive for state authorities to involve EBAs in public policy rests heavily on the representativeness of the organizations as it enables a wide-ranging "closing of arms" between state and business (e.g., Ebbinghaus and Hassel, 2000). A high degree of representativeness enables EBAs to assert influence on state authorities via different channels, as it strengthens interest representation and opens the door to institutionalized and non-institutionalized forms of policy making in which decisions on economic and social policies are made (e.g., Brandl and Lehr, 2015).

The question of EBA representativeness is especially interesting given that the post-industrial era has seen a decline in trade unionism and increasing internationalization, seemingly defeating the purpose of EBAs and thus turning them into relics of a different era. Moreover, the successes of EBAs in maintaining their members is vexing in the light of the dominant collective action theoretical approach to interest groups (Olson, 1965). This is particularly the case for peak EBAs that represent the labour market interests of their members. These organizations are generally large and encompassing, as they represent companies, i.e. employers, across multiple economic sectors, companies of different sizes (small, medium and large companies), companies with different production systems and demands for different skills of their

employees as well as companies which are differently exposed to (international) competition. Collective action theory would suggest that this should severely limit their ability to organize. Selective incentives can overcome this problem (e.g., Helfen, 2011), but representation on the labour market dictates that peak EBAs predominantly engage in the delivery of collective goods in the form of collective agreements and in influencing labour market policy.

The representativeness of employer and business associations: solid as a rock?

In order to allow a country comparison of the representativeness, we use a common definition (European Commission, 2015) by defining representativeness as density of the largest peak EBA in a country, which is calculated as the ratio of all employees from member companies to the total number of employees in potential member companies. Figure 1 gives an overview of the distributions of EBA density in thirteen European countries for the period 1973 - 2012.

- Figure 1 about here -

The variation of density across countries is striking and confirms previous comparisons (e.g., Carley, 2010; European Commission, 2015). In Austria, density is highest due to

compulsory membership for companies. As regards the rest of the countries, in the Netherlands, Germany, Ireland, Spain, Finland, and France density rates are relatively high while in the others, average density varies between approximately 30 and 40 per cent. As regards the development over time, literature reports relatively stable membership figures (e.g., Brandl and Lehr, 2015; Carley, 2010; Traxler, 2010). Figure 2 shows the development of the average EBA density across these countries over time in the period 1973 - 2012.

- Figure 2 about here -

As can be seen in Figure 2, the average EBA density across countries remained relatively stable over time, as does the between-country variation. The latter finding is in contrast to the sometimes hypothesized convergence (e.g., Hyman, 2001; Keller, 2003; Vos, 2006).

However, this stability of aggregate density as well as of the between-country variation does not imply that densities have been stable within all individual countries. For example, in Denmark and Belgium, density rates increased over the past decades, whilst they decreased in Italy, Finland and France. In the following, we explain how shifts in the organizational characteristics of EBAs, their activities and the changing environment influenced the representativeness.

The determinants of membership representativeness

The traditional application of Olson's (1965) theory of collective action to EBAs can be summarized as follows. First, individual employers can best advance their own interests through collective action. Joining an EBA, which can subsequently participate in collective bargaining and policy formation and implementation, realizes this collective action. Second, employers that do not join the EBA and thus do not contribute to the collective action, can still take advantage of the goods that EBAs realize. This is because public policies guided by EBAs will benefit all employers, not only those that are members of the EBA. Similarly, collective agreements in some countries apply also to those employers that are not EBA members because collective agreements are centrally or sectorally negotiated and/or extended to apply to all relevant employers. Such extension practices of collective agreements are common practice in countries such as Austria, Belgium, Finland, France, Portugal and Spain as well as being applied on an ad hoc basis in countries such as Germany and the Netherlands (e.g., European Commission, 2015). The collective action, i.e. joining an EBA, therefore constitutes primarily a collective good. Since joining an EBA requires employers to pay membership fees, each individual employer has an incentive to free-ride by not joining the EBA. Thus, third, selective incentives, i.e. private goods, are needed in order for

EBAs to convince employers to join them and thus reach sufficient densities to be representative.

Previous studies on EBA representativeness (e.g., Brandl and Lehr, 2015; Offe and Wiesenthal, 1980; Traxler, 2000, 2004) catalogued the consequences for density of EBAs providing selective incentives in the form of specific services that EBAs deliver to employers and the organizational structure EBAs develop to do this. However, these previous studies viewed EBAs as rather static organizations and paid limited attention to the possibility of EBAs adapting to their differing and changing socio-economic environments. Moreover, due to empirical limitations, previous studies were unable to simultaneously test and distinguish between more than a very limited set of hypotheses. The goal of the framework which we outline below is to add our new hypotheses to existing hypotheses and debates. We do not aim to replace previous analyses and hypotheses on the determinants of EBA representativeness but rather to augment and broaden the debate. Thus the new hypotheses will supplement previous theoretical reasoning and empirical studies. The unique empirical data used for this study allows us to analyse and test a larger set of hypotheses simultaneously and ascertain whether or not the new determinants which we consider in the hypotheses are able to provide any additional explanatory value or theoretical and empirical "surplus". For the latter reasons we present and develop a set of very detailed and explicit hypotheses which enables us to assess each hypothesis directly, individually and explicitly.

In the following section, we therefore review arguments from previous studies and develop new propositions about the determinants of EBA density. For these new propositions, we will argue that the socio-economic conditions in which EBAs are embedded determine the needs of EBAs' constituents, both in terms of the collective goods as well as in terms of the private goods, i.e. selective incentives, which EBAs have to provide in order to fulfil their purpose. We argue that the socio-economic environment differs across countries as well as over time so that different socio economic services, i.e. incentives have to be provided by EBAs in order to overcome the collective action problem they must face. We furthermore maintain that EBAs are in fact usually rather flexible and adaptive organizations that are able to shift their activities accordingly.

We will group our hypotheses in two categories: in the first group we are presenting and discussing hypotheses (hypotheses 1 to 5) which (primarily) relate to contextual country differences and different socio-economic environments in which EBAs are embedded. The second category of hypotheses (hypotheses 6 to 9) refers (primarily) to the organisational structure and organisational activities EBAs undertake (or not). Even though the determinants of EBA density in both categories are not necessarily independent from each other, they can be distinguished in terms of their relevance regarding their ability to explain the level of EBA representativeness across country and the change of EBA density over time. In the empirical analysis we will

differentiate, investigate and test the relevance of determinants in their ability to explain differences between countries and the development over time separately and according to the grouping.

Contextual influences on EBA density: explaining country differences

Contextual factors can help explain differences in EBA density across countries, as well as developments in countries over time. One of the most prominent features of modern societies is their high and increasing level of economic internationalization. It has previously been argued that the globalization and internationalization of economic markets would negatively influence EBAs (e.g., Traxler, 2004). The argument was that increased competition would be at odds with the implied solidarity of collective action. This would hurt EBAs in particular, because their (potential) members are well equipped to act autonomously and/or move activities across borders thus devaluing centralization and the regulation of labour relations provided by EBAs. Taking economic openness as a measure for economic internationalization, it has therefore previously been hypothesized that *the more open national economies are, the lower the density of the employers and business associations in these economies* (H1a).

This proposition however is based on a static view of EBAs as organizations carrying out one particular set of tasks within the confines of the nation state. In fact, we

have ample evidence that EBAs change their structure and activities to adapt to challenges and take advantage of opportunities in their environment. Consequently we argue that economic openness in particular creates opportunities for EBAs to increase membership. This is because economic openness leads to a specific array of needs among (potential) member companies that EBAs can address. Openness coincides with increased international product market competition, which in turn leads to specialization across countries, high rates of innovation and increased short term pressures on the labour market. For employers, it is important that national labour markets are adjusted accordingly. Via collective bargaining, tripartite consultation, the consultation for and implementation of labour market reforms, EBAs are in a position to affect the composition and flexibility of labour supply. Companies have an incentive to join the associations in order to ensure their specific needs are taken into account and to take advantage of activities and services geared towards such needs. We shall further elaborate how this affects the impact of particular activities below. For now, assuming that EBAs successfully adapt to their economic environment, we argue against previous studies and propose that *the more open economies are, the higher the density of EBAs in these economies* (H1b).

We also argue that EBAs may provide an important protective function for employers against economic adversity. Especially in times of uncertainty and crisis, individual companies can join associations in order to take advantage of shared

information and coordination to offset these pressures. In addition, EBAs are channels of voice towards state authorities and trade unions facilitating joint strategies and compromises. This function is of particular importance when employers have to ensure their own organizational survival and prosperity in a hostile climate. We therefore propose that in times of economic downturn, the incentives to join EBAs increase and will test the hypothesis that *economic growth is negatively associated with EBA density* (H2).

Previous studies have hinted at several other contextual factors that may influence EBA density. For instance, it has been argued (e.g., Brandl and Lehr, 2015; Gladstone, 1984; Helfen, 2011; Traxler, 2010) that EBA density is particularly increased when the industrial relations system of a country comprises extension practices. Such practices entail that collective agreements are generally extended to apply even to those employers that did not engage in bargaining for the collective agreement. It has been argued that this benefits EBAs as it is assumed that employers who know that they will be bound by a collective agreement would rather join the EBA in order to have some influence, than not join and have no influence, on the content of the collective agreement. For this reason, we test the hypothesis that *the existence of extension practices is associated with higher EBA density* (H3).

Another contextual factor frequently (e.g., Crouch, 1993; Traxler, 2004) thought to positively influence EBA density is trade union membership density, because

employers facing more powerful trade unions will have more incentives to guard their interests against these unions, and hence be more willing to join EBAs. However, previous analyses (i.e., Traxler, 2004) have shown that the impact of trade union density on EBAs cannot be correctly understood without simultaneously taking into account the existence of extension practices in a country. This is because empirically, state-sponsored selective incentives to join trade unions (e.g. unemployment benefits via unions) and state-sponsored selective incentives to join EBAs, i.e. extension practices, do not coincide in the same countries. We shall consequently test the interaction-hypothesis that *EBA density increases with trade union density, but only when extension practices are absent* (H4).

A final contextual determinant of EBA density is the fragmentation of business interest representation system itself. The argument is that in highly fragmented systems where there are many EBAs, each EBA can specialize in serving a relatively narrow domain of employers. In this way, EBA interest representation is more likely to fit with the specific interests of the employers, which may vary significantly across the different domains of employers. Therefore, it can be expected that *the more fragmented the system of business interest representation is, the higher the density of EBAs* (H5).

EBA-level influences on EBA density: organizational structure and activities

Besides contextual factors, EBAs themselves can have an influence on their density. Traxler (2000, 2010) argued that this can be achieved by undertaking reorganizations. Empirically, such reorganizations typically entail mergers between different EBAs, often between EBAs with a focus on labour market representation and EBAs with a focus on product market representation. This increases EBA density for two reasons. First, these reorganizations can allow EBAs to reduce membership fees because they can exploit economies of scale. Second, it allows the EBAs to incorporate each other's specific interest representation expertise within the new joint EBA, thus being able to cater to a wider variety of employer's needs. Therefore, it is proposed that *reorganizations increase the density of EBAs* (H6).

What EBAs do, i.e. their specific interest representation activities also play an important part in determining EBA density. Activities can help increase density when companies want to influence the collective goods that result from the activities or when the activities provide selective incentives to members of the association. In past studies (e.g., Traxler, 2004) it was argued that there exists a straightforward relationship between EBA activity and density. EBAs that engage in more activities, it was argued, realize higher densities. We therefore test the hypothesis that *the more active the EBA, the higher its density* (H7).

However, recent studies (e.g., Brandl and Lehr, 2015) suggest that no such straightforward relationship exists been EBA activity and density. Rather, it seems

important to distinguish between the impact of specific EBA activities, as some may be more helpful than others, and some may actually be harmful. We argue that, within the context of increasing internationalization and competition, two activities in particular require attention: firstly, EBAs' engagement in negotiating binding collective wage agreements and secondly, EBAs' participation in conceptualization and implementation of public occupational training programs and active labour market policies.

On EBA engagement in negotiating binding collective wage agreements, previous studies are adamant that this activity is the core task of EBAs and their survival is strongly linked to being able to fulfil this task (Traxler, 2004). Multi-employer bargaining allows employers to effectively take wages out of inter-firm competition. This cartelizing effect offers strong incentives for companies to act collectively, as bargaining standard rates allows them to pass wage increases on to consumers and push less-productive, low-cost competitors out of the market. Based on this reasoning, one would expect that *negotiating binding collective wage agreements has increased EBA density* (H8a)

We argue however, that while negotiating binding collective wage agreements may have had a positive influence on EBA density in some historical contexts, this does not necessarily hold for the period we analyse. This is because with increasing internationalization, multi-employer bargaining has lost its attraction. International competition has undermined the effectiveness of cartelizing efforts while being bound to

national, sector-specific wage-rates hampers the ability of companies to take advantage of opportunities in foreign markets. Moreover, the process of collective wage determination may be too protracted to adapt to the volatility of international markets. If such considerations factor with increasing prominence in companies evaluations of the need to join and EBA, or to maintain their membership, having to take binding wage agreements will be disincentive rather than an incentive. For these reasons, we offer the hypothesis that over time, *negotiating binding collective wage agreements has decreased EBA density* (H8b).

Turning to EBAs' participation in public occupational training programs and labour market policies, we argue that economic openness also increases the rate of innovation, drives specialization and induces volatility in the labour-market. Employers consequently call for structural adjustments, in particular increases in the supply of adequately qualified and adaptable labour that can be called on in flexible arrangements. Active labour market and training programs which are conducted by state authorities are therefore of central importance for companies and countries as they help to overcome "skill boundaries" (e.g., Iversen and Cusack, 2000). In many countries, EBAs play an important part in initiating and guiding such adjustments through their participation in the conceptualization of training and active labour-market policies. Moreover, employers are an important partner in the implementation of these policies. By joining EBAs, companies gain access and influence over these policies which are of

fundamental importance for the provision of a skilled and trained workforce in many countries (e.g., Martin and Swank, 2004). We therefore propose that over time, *participation in the conceptualization and implementation of public occupational training programs and active labour market policies has increased EBA density* (H9).

There is of course a plethora of other activities by EBAs that may affect their density. Without formulating specific hypotheses, we also explore the impact of five: (i) negotiating binding collective agreement on non-wage issues; (ii) coordination of collective bargaining; and participation in the formulation and/or implementation of (iii) industrial policy; (iv) regional development; and (v) research and development programs.

The hypotheses cover two main categories of relevant factors for the representativeness of EBAs. The first category includes contextual factors for both economic and industrial relations systems which are "exogenously" given for EBAs. These factors have changed over time and are hypothesized to affect representativeness of EBAs in distinct and different directions. EBAs have very limited or no influence on the changing contextual factors but they are able to address these factors by adapting their organizational structure and activities which are covered in the second category of intermediate factors. In the following empirical analysis we test both if the distinct contextual factors matter as well as whether EBAs were able to adjust their

organizational structure and activities in a way which enabled them to maintain their representativeness.

Empirical analysis

In the following empirical analysis, we test the above explanations of EBA density as our indicator of representativeness. We are interested in both the reasons for differences in the level of density across countries and the reasons for the development over time. Therefore we explicitly focus in separate analyses on the determinants of difference in levels and the changes of density. We expect these differences to be high for EBAs in different socio-economic systems according to the Varieties of Capitalism approach (i.e., Hall and Soskice, 2001) and in particular, according to different industrial relations systems (e.g., Bechter et al., 2012; European Commission, 2009). From each of the different systems a set of countries is chosen which also includes a differentiation between countries which differ with regard to their exposure to international markets. Denmark, Finland and Norway are selected from the ”Nordic” system, France, Italy and Spain from the “Mediterranean” system, Austria, Belgium, Germany, Netherlands and Switzerland from the ”Continental European” system, and Ireland and the United Kingdom from the ”Liberal” system. Thus, the sample of countries and EBAs covers a wide range of EBAs which allows a relatively high degree

of generalization of the results. The country, i.e. peak EBAs, selection is based on the principle that significant differences in EBAs' organisational and socio-economic environment can be identified and then compared regarding their implications on their representativeness. The analysis is held on a macro-level with cross sections formed by the different EBAs in the various countries. This implies that any arguments in the hypotheses discussed earlier which include reference to any micro- and meso-level reasoning are conceptualized for the macro-level with all its advantages and disadvantages (e.g., Collins, 1981).

We use data from a unique data set which includes information on these EBAs over the period from 1973-2012. The data set is based on a *standardized* expert questionnaire survey "Information about Business, Trade and Employers Organizations" (IBTEO) which continues and augments previous data collection efforts reported and documented in Traxler (2000, 2010). The IBTEO database was established in 1999 based on data from the first round of responses from country experts. Further updates via new waves of data collection were made in the years 2004 and 2007. Using primary data based on information from national experts has various advantages. It offers much more precise and valid operationalizations of the variables of interest than existing secondary data, and the use of a consistent and homogenous standardized survey maximizes the comparability of the data across countries and years. There are also some disadvantages. The experts may look at EBAs through peculiarly national lenses or may

be uncertain about some information like for example past developments. Such issues with the validity of expert surveys are debated in literature (e.g., Budge, 2000; Steenbergen and Marks, 2007) and will be addressed accordingly in the empirical analysis by applying various robustness checks which test the effects of any possible inconsistency in specific cross sectional and time series data. In addition to the expert survey, secondary data provided by Carley (2010) and ILO (2010) was added. The most recent update of the IBTEO database was conducted in 2013.

Although previous data bases on EBAs are integrated, some data for some countries is missing for some individual years (see the Appendix for further details). To account for this therefore in the following empirical analysis, (linear) interpolations for missing values were made and a periodization of data in four years intervals is used. Using four-year period averages has two main advantages for the data and research question in this study: first, it averages out the problem of any possible yearly outliers which might be caused by measurement errors and second, it averages out any yearly mismatch due to yearly missing values. Thus, using period averages enables the analysis of a relatively balanced panel with fewer missing values. The disadvantage however is that cross-section difference effects might be favoured, compared to period effects for which the time variation might have been averaged out, if outliers are not caused by measurement errors. As the data we are using here is not expected to vary significantly over time as is typical for this kind of data (e.g., Kittel, 1999), it would be highly

unlikely that any important time variation is missed because of the four-year periodization.

With these data, we are able to analyse the determinants of EBA density in Western Europe on the basis of a wide range of different countries, which correspond with distinct systems of industrial relations, over a long time period which covers very distinct phases in European socio-economic development, with each phase challenging EBAs in distinct ways. Our analysis builds on the period-specific cross-section macro-level approaches of density such as Traxler (2004) and the analysis of Brandl and Lehr (2015) in order to be able to compare our results. We present and discuss three models using a pooled time-series cross-section analysis. We use ordinary least squares (OLS) estimation with panel-corrected standard errors to correct for the estimation problems typical of this type of data structure and with variables which show little variation over time (e.g., Beck and Katz, 1995).

The nature and structure of the data makes it impossible (and effectively not necessary) to include country-specific (fixed/random) effects to control for other country characteristics. Given that EBA density rate is stable over time, country dummies reflect to a high degree the properties of the countries and it is impossible, and empirically and theoretically senseless, to test for any other further country influences with regard to the model we are using here. For further information and discussions

about the inclusion (or not) of country fixed effects for similar research questions see, for example, Greene (2011), and Plümper and Troeger (2007).

In the following we are testing our hypotheses using models which are parsimonious in the sense that they are focused on the above hypotheses, but are still more elaborated and fine grained than previous quantitative analyses (e.g., Brandl, 2013; Brandl and Lehr, 2015; Martin and Swank, 2004; Traxler, 2010).

Before we turn to the estimated models, we briefly discuss the variables entered in the regression equations. "Economic growth" captures and controls cross-country and over time differences in the economic environment. "Openness" reflects the exposure of companies in each country to the global economy. "Extension" indicates if collective agreements are extended to non-members or not. "Union density" is the measure for the strength of trade unions in a country. "Reorganization" indicates if the EBA undertook an organizational change either by an enlargement of its domain and/or by any merger with another association. The "activity index" is the aggregate of principal activities carried out by the EBA, summarizing its overall level of activity. To allow us to distinguish between their potentially confounding impacts, each activity is also considered separately. "Fragmentation" expresses the number of confederations and also controls for changes in the domain of EBAs in countries. Two dummy variables for Germany and Italy are included in all estimated models to control for structural breaks in the time-series for the two countries. As the Confederation of German Employers'

Association is the only "pure" employer association (left) in Western Europe, a further dummy variable for this special case was tested in order to analyse robustness, which did not reveal any difference in the results. These variables correspond directly to the above set of hypotheses and enable us to test a parsimonious specification so that a high estimation quality can be guaranteed, even though further determinants such as the average company size, the predominant skill level and other characteristics of EBAs' constituents might be interesting to analyse. However, as we are analysing encompassing peak organizations which are cross-sectoral and cover a wide variety of companies, we do not expect the latter company characteristics to matter very much for the research question here, so that our parsimonious model includes the main determinants. A detailed report on the operationalization and measurement of variables used in the analysis is provided in the Appendix (Table 2).

In the following sections, we report and discuss on three models. Model 1 regresses the observed level of EBA density for each country and interval on Economic growth, Openness, Extension, Union density, the interaction between Extension and Union density, the Activity index and Fragmentation. This model is explicitly designed to explain differences in density across countries. Model 2 is explicitly designed to focus on the analysis of the determinants of change of density over time. It follows a similar specification to model 1 but regresses the independent variables on the change in density, i.e. taking the first-difference of the dependent variable. This model excludes

the interaction term and the Fragmentation variable for reasons explained in detail below. Model 3 is identical to Model 2 except that the Activity index is excluded in favour of estimating the effects of each activity separately. The models tested and shown enable a test of all our theoretical considerations discussed in the earlier sections. Although we are able to test our hypotheses on a data set which is significantly larger and thus more reliable than all previous studies on EBAs, statistical limitations must be considered so that parsimonious specifications were targeted. E.g. for reasons of parsimony, we have not estimated the interaction of Extension and Union density for model 2 and model 3. Alternative specifications were also investigated because of statistical limitations and in order to test the robustness of the models, which all confirm the results here. In the context of the relevance of union density as a predictor for EBAs density, it can be noted that this result of the insignificance of union density holds even in specifications which do not consider an interaction effect. Additionally, a bootstrap analysis similar to Traxler (2010) was made to check any validity problems in the data which confirms the robustness. The results of our analyses are presented in Table 1.

- Table 1 about here -

In discussing the results shown in Table 1, we begin the elaboration with the impact of contextual factors and then move to the intermediate variables related to the structure and activities of EBAs.

On our first hypotheses regarding economic openness, competing hypotheses proposing both a negative and a positive relationship were offered. Our analyses show no evidence in favour of the hypothesis that openness decreases EBA density (H1a). On the contrary, we find that density levels are higher where there is more openness (H1b). However, economic openness is not a statistically significant predictor of changes in density. This latter finding is a consequence of relatively low over-time variation compared to relatively high between-country variation of this variable. In other words, countries differ in their degree of economic openness over a long time period and for many ”structural” reasons, i.e. small countries are usually (much) more open than larger countries. As for example, the size and structure of countries is usually very stable over time, the openness of economies does not explain any variation over time but differences in the levels between countries. Of course, openness changes, i.e. it increases, over time, but this increase is a common characteristic of all countries. Previous analyses suggested that openness has no effect on density. Our results suggest that an effect does exist and is in fact positive. The consequential explanation for this result is that EBAs must have taken advantage of the opportunities provided by economic openness to increase membership arising from economic internationalization

by representing the specific array of needs among (potential) member companies. There are many ways of representing the needs of companies because of internationalization, e.g. helping companies to enter new/foreign markets as well as pushing training and skills development programs of companies by participation in relevant public policy initiatives. The latter activity in particular will be discussed later in detail.

On economic growth, we find no evidence in favour of the hypothesis that density is negatively associated with economic growth (H2), as the estimated coefficients are not statistically significant in any of the models. This result suggests that EBAs cannot increase density in times of economic decline but that they are not adversely affected by economic hardship either.

On hypothesis H3 in accord with previous studies, we find that the existence of extension practices has a large and positive effect on the level of density. As this variable does not vary significantly over time in countries, it is not surprising that changes in density are not associated with it. However, contrary to previous studies, i.e. Traxler (2004), we find no evidence that EBA density is high when union density is high (H4), nor for the interaction hypothesis that this effect reverses its direction in the presence of extension practices (H5). Considering the diverging trends in the fortunes of EBAs and trade unions, it makes sense that union density is no longer a good predictor of EBA density.

Fragmentation was hypothesized to be associated with high density (H6). This hypothesis is supported by our findings, which are similar to previous research. However, because over time, changes to fragmentation and reorganizations co-vary highly, identification problems arise for the models predicting change in density. We have therefore excluded the effect of fragmentation from model 2 and model 3. The intermediate variable Reorganizations is expected to increase density (H7). This is supported by the estimates in model 2 and model 3, where we find a positive and significant effect of reorganizations on the change in EBA density.

Finally, we discuss the impact of organizational activities on density. We tested the general hypothesis that the more active EBAs are, i.e. the more EBAs are doing overall, the higher their density (H8). Even though this positive relationship might be considered self-evident, our results indicate that this is not necessarily the case and an in-depth look into the different activities of EBAs must be undertaken. This is because we find no significant effect of the activity variable on both the level of density (model 1) and the change in density (model 2). In a nutshell, the first intuitive implication that could be drawn is that for EBAs, membership numbers are not affected by whether they are doing more or less on behalf of companies. However, a more detailed investigation of the different and manifold activities has to be undertaken.

Significantly , our estimates for model 3, which includes different activities of EBAs as separate explanatory variables, offers a clear explanation for the absence of

such an intuitive effect. As it turns out, different activities may have dramatically different effects on density. Indeed, a "simple" aggregation of activities is evidently a much too imprecise analysis and measurement. For instance, against the assumption that EBA's density depends on their bargaining of binding collective wage agreements, we proposed the hypothesis that over time, this activity decreased density (H9). Our results offer support for this proposition: density is indeed found to decrease when EBAs negotiate binding wage agreements as companies are no longer "willing" to accept collective wage agreements and prefer to strike collective wage agreements by themselves or prefer to have no wage agreements at all. In contrast, negotiating binding collective agreements on non-wage issues is found to increase density as a result of the increasing need of employers for assistance in employment and work related practices aimed at increasing the flexibility and qualifications of the workforce, such as life-long-learning and work-life balance programs. This result however, supports the hypothesis that non-wage agreements have become increasingly important at the expense of wage agreements. Such an interpretation is also in accord with the hypothesis that EBA participation in the formulation and implementation of public occupational training programs and active labour market policies increases density (H10), for which we find support. In fact, this result confirms that active labour market and training programs which are conducted by state authorities are of central importance for companies as they help to overcome "skill boundaries" which many companies face. Consequently, the

participation of EBAs in this public policy area offers a major incentive to companies to become members in order to gain access and influence active labour market and training programs.

Conclusions

In this paper, we addressed the question of how to explain the representativeness of Employer and business associations (EBAs) by analysing the density of the largest peak EBAs in 13 Western European countries between 1973 and 2012. The question holds particular relevance for two reasons. First, common theoretical reasoning suggests that EBA density is expected to decline due to socio-economic trends, in particular globalization and the weakening of trade unions. Second, collective action theory indicates that it would be difficult to realize substantial levels of EBA density in the first place. Yet empirical evidence shows that EBAs are encompassing organizations which are highly representative, and despite changing socio-economic trends, continue to be so.

In order to understand this puzzle, we developed a theoretical approach that sees EBAs as fundamentally dynamic and adaptable, rather than static and rigid. Thus we hypothesized that EBAs maintain and even increase their representativeness by successfully taking advantage of changing socio-economic conditions, in particular

economic openness and economic hardship. Furthermore, we hypothesized that EBAs do this by adapting their organizational structure and activities, particularly by undertaking mergers and shifting from binding collective wage bargaining towards involvement in occupational training programs and active labour market policies.

Our findings mostly support this theoretical approach. We found no evidence for the negative relationship between economic growth and representativeness we hypothesized. However, as hypothesized by us and in stark contrast to previous theoretical reasoning, economic openness is associated with higher EBA representativeness. A similar situation applies to our findings regarding the impact of EBA activities. Previous studies (e.g., Traxler, 2004) argued that involvement in binding collective wage bargaining is a vital function of EBA to "survive", whereas our findings support our hypothesis that the involvement in binding collective wage bargaining has actually decreased EBA density in the period studied. The explanation for this result was found by the decreasing need and interest in collective wage agreements of companies in the last decades because the institutional environment changed in a way that it enabled companies to bargain their own wage agreements with trade unions and they expect to be able to bargain more favourable wage agreements without the involvement of EBAs.

Our hypothesis that involvement in occupational training programs and active labour market policies would increase EBA density was supported. Furthermore, we

find that changes to EBAs organizational structures through mergers indeed increases EBA density. We can draw the conclusion therefore that non-merging is likely to be an explanation for a decrease in EBA density which is supported by the membership development of the Confederation of German Employers' Association (e.g., Behrens and Helfen, 2009) which is the only 'pure' employers association left in Western Europe. Furthermore, we tested a number of hypotheses advanced in previous studies, with some novel findings. In line with previous studies, we find that the presence of extension practices is associated with higher EBA density. Yet we also find that trade union density is no longer a significant predictor of EBA density.

In summary, our study shows that in order to understand how EBAs have retained their representativeness while trade unions have struggled, it is important to recognise the flexibility EBAs enjoy in changing their structure and activities, which has allowed them to take advantage of changing socio-economic circumstances. As a matter of fact, EBAs managed the manifold challenges so well that it seems they escaped the "fate" of their "counterparts" on the labour market, i.e. trade unions. For the latter organizations as well as for corporatism in general, a similar "creeping death" was often predicted (e.g., Crouch, 2011; Molina and Rhodes, 2002). Although corporatism has reinvented itself continuously and is still strong in many countries and trade unions are still alive, their "strengths" have faded significantly in the recent past and it is uncertain if and how they might recover (e.g., Gumbrell-McCormick and Hyman,

2013). It is, of course, uncertain what the fate of the "counter-organization" of EBAs will be but currently it is clear that, rather than being a relic, EBAs have adjusted and remain alive and kicking.

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Appendix

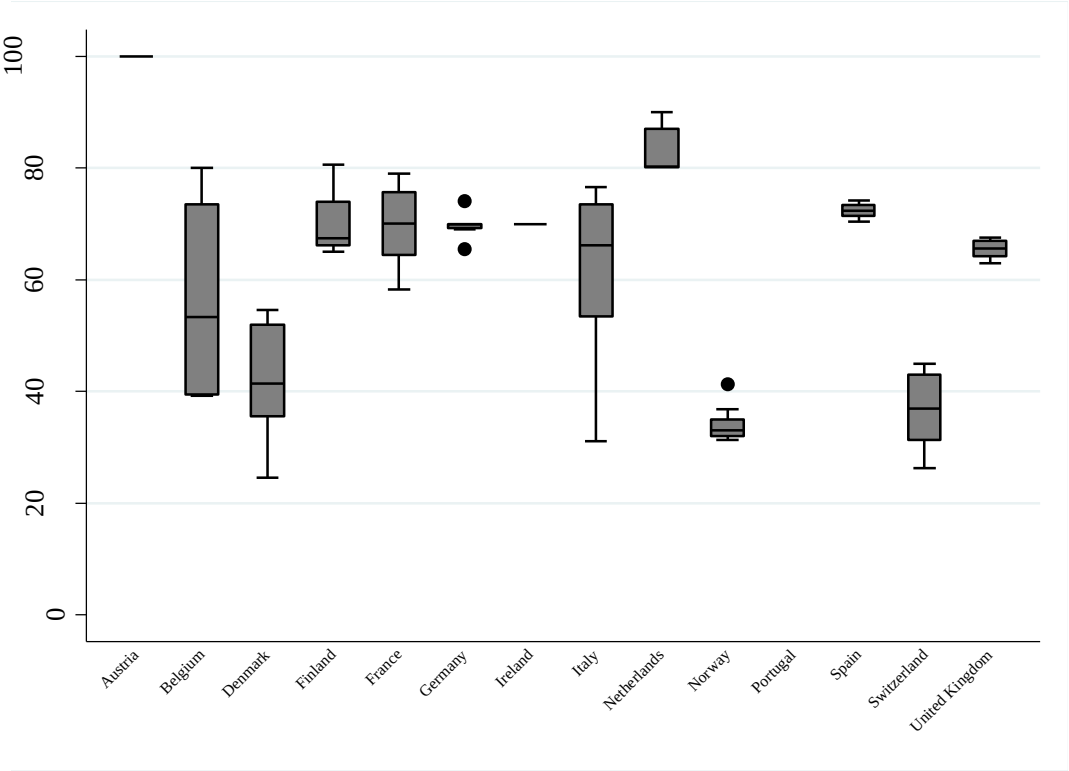
Table 2. Variable definitions and data sources

Variable	Description/details	Source
Activity	Aggregate index of associational activities: negotiates and signs on behalf of its affiliates binding *collective wage agreements*; negotiates and signs on behalf of its affiliates binding *collective non-wage agreements,* i.e. agreements on non-wage issues; *coordinates collective bargaining* of affiliates; participates in the formulation and/or involved in the implementation of public *industrial policy* programs; participates in the formulation and/or involved in the implementation of public *regional development* programs; participates in the formulation and/or involved in the implementation of public occupational *training* programs (including apprenticeship) *and active labor market* policy; participates in the formulation and/or involved in the implementation of public *research and development* programs; represents members' labor-market interests in various corporatist institutions.	IBTEO
Economic growth	Annual logarithmic change of real Gross Domestic Product	AMECO (2015)
Employer density	Density of the largest employer peak organization. Percentage of employees organized by the peak organization within its domain.	IBTEO
Extension	Practice of extending multi-employer agreements to non-member companies. Dichotomous: 1 = moderate and pervasive practice; 0 = no notable extension practice.	IBTEO
Fragmentation	Number of Employers' confederations	Visser (2015)
Germany	Dummy variable (structural break) for German unification	IBTEO
Italy	Dummy variable (structural break) for Italy (2005 onwards)	IBTEO

Openness	Annual change of average share of imports and exports of goods in world trade.	AMECO (2015)
Reorganization	Domain changes of associations: Merger activity by simple numerical concentration of the associational system, i.e. a reduction of the number independent associations) or in numerical and functional concentration. Usually merger of employers' associations towards mixed EBAs.	IBTEO
Union density	Trade union density, i.e. net union membership as a proportion wage and salary earners in employment	Visser (2015)

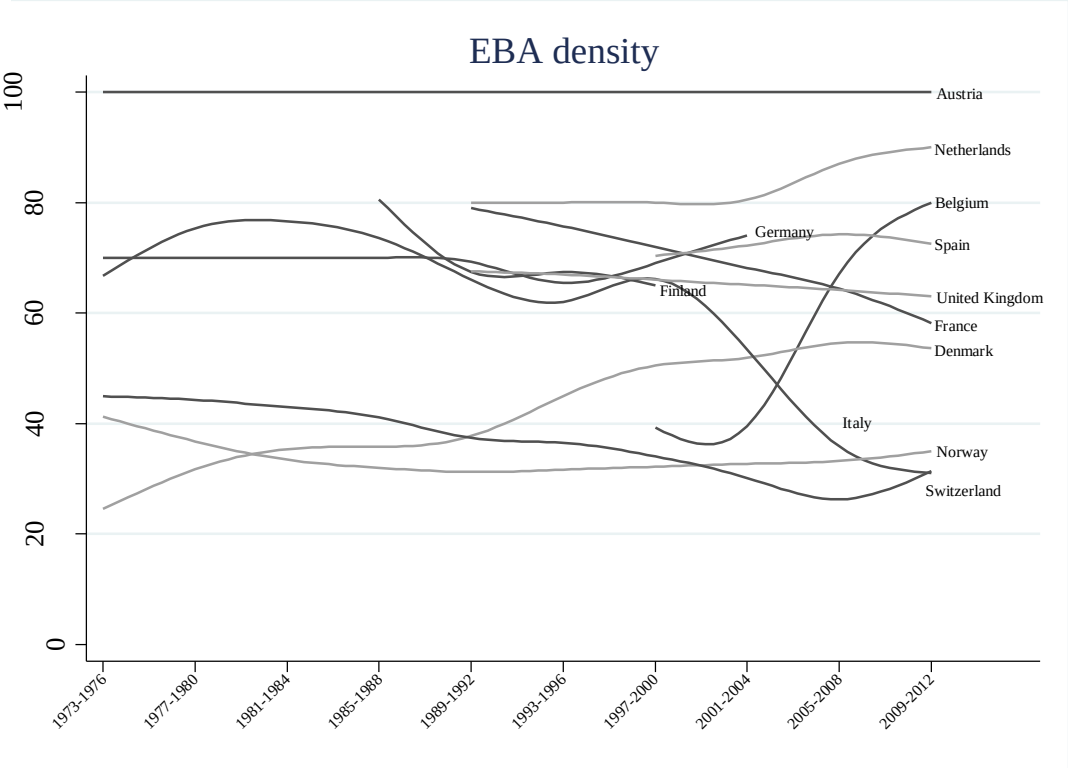
Notes: In the analyses period averages as well as interpolated values (linear) for missing values between available data are used. Periods: 1973-1976, 1977-1980, 1981-1984, 1985-1988, 1989-1992, 1993-1996, 1997-2000, 2001-2004, 2005-2008, 2009-2012. Missing values: France, Netherlands, and United Kingdom 1973-1988; Belgium, and Spain 1973-1996; Ireland 1973-2008; Germany 2005-2012; Finland 1973-1984 and 2001-2012.

Tables/Figures



Note: For details on missing values and data sources see Table 2 in the Appendix. Boxplots show the distribution of densities observed for each country for 1973 to 2012. The bars within the shaded boxes represent the median density observed within each country in this period, the bottoms and tops of the boxes coincide with the first, respectively third quartile. The "whiskers" represent the lowest and highest observations for those countries where no observations are 1.5**interquartile range* (IQR) above the third quartile or 1.5*IQR below the first quartile. For countries where such observations are present, the "whiskers" represent the values 1.5*IQR above the third quartile and/or 1.5*IQR below the first quartile and the observations lying outside this range are marked with a dot.

Figure 1. Employers and business associations' density in 13 countries



Note: For details on missing values and data sources see Table 2 in the Appendix. Lines represent the observed developments of density (smoothed). Ireland is omitted from Figure 2 because there are no observations for this country prior to the 2009-2012 period.

Figure 2. The development of employers and business associations' density, 1973-2012

Table 1. The determinants of the representativeness of employers' and business associations across countries and time

Dependent variable:	**Level**	**Change**	
Employer density	**(1)**	**(2)**	**(3)**
Economic growth	-25.876	1.696	-0.675
	(28.039)	(12.635)	(13.088)
Openness$^{\Delta}$	1.669*	0.418	0.622
	(0.729)	(1.230)	(1.069)
Extension	22.190**	-0.420	-0.219
	(6.634)	(1.452)	(1.332)
Union density$^{\Delta}$	-0.033	0.491	0.390
	(0.109)	(0.256)	(0.224)
*Extension*Union density*	-0.046	-	-
	(0.139)		
Reorganization	2.920	3.315*	3.466**
	(5.230)	(1.287)	(1.201)
Activity index$^{\Delta}$	-0.142	-0.029	-
	(0.073)	(0.041)	
Collective wage agreements	-	-	-7.107*
			(3.375)
Collective non-wage agreements	-	-	5.379*
			(2.546)
Coordinates collective bargaining	-	-	-1.797
			(2.306)
Industrial policy	-	-	2.333
			(1.216)
Regional development	-	-	-3.353
			(1.810)
Training and active labor market	-	-	6.845*
			(2.631)
Research and development	-	-	-2.690
			(1.599)
Fragmentation	1.547*	-	-
	(0.595)		
Germany	-13.942	4.570*	3.095
	(7.376)	(2.109)	(2.076)
Italy	-22.836*	-12.920*	-12.373**
	(9.004)	(5.260)	(4.586)
Constant	49.907**	-0.941	-1.201
	(5.534)	(1.271)	(1.326)
R^2	0.607	0.238	0.395
N x *T*	79	69	69

Notes: $^{\Delta}$ Indicates that yearly change of independent variable is used to explain yearly change of dependent variable. Estimation according to Beck and Katz (1995): Pooled time-series cross-section analysis with panel-corrected standard errors in parentheses. **$\alpha \leq .01$; * $\alpha \leq .05$. N x T: number of observations (missings excluded). Austria is excluded from the sample/analysis here because of the obligatory membership for companies. For abbreviations and variable definitions, see Table 2 in the Appendix.